

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND
FAMILIES COMMISSION)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2004

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Financial Statements
For the Year Ended June 30, 2004

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**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Commission Membership

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
Michele Dossey	Chairperson	May 2003	February 2006
Lara Andersen	Vice Chairperson	May 2003	December 2006
Julie Bear	Inyo County Board of Supervisors	April 1999	December 2004
Martha Mendez	Representative, Community- Based Organization	December 1999	December 2006
Jean Dickinson	Director, Inyo County Health and Human Services	April 1999	April 2005
Margaret Peterson	Inyo County Health and Human Services	May 2002	April 2005
Jeff Griffiths	Representative, Community- Based Organization	May 2003	February 2006

FINANCIAL SECTION

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

Frank V. Trythall
Kenneth E. Pope
Brad W. Constantine
Bruce W. Stephenson
Roseanne M. Lopez
Jason J. Cardinet
Tyler K. Hunt

Curtis A. Orgill
M. Elba Zúñiga

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Inyo County
(Inyo County Children and Families Commission)
Independence, California

We have audited the accompanying basic financial statements of First 5 Inyo County (Inyo County Children and Families Commission) (Commission), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Commission has implemented a new financial reporting model to comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners
First 5 Inyo County
(Inyo County Children and Families Commission)
Independence, California

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of First 5 Inyo County (Inyo County Children and Families Commission) taken as a whole. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs/m.

September 10, 2004
Roseville, CA



Management's Discussion and Analysis For the Year Ended June 30, 2004

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Inyo County (County) Board of Supervisors created the First 5 Inyo County (Commission) (formerly Inyo County Children and Families Commission) in 1999 under the provisions of the Act. The Commission consists of seven members appointed by the County Board of Supervisors. The Commission is not considered a component unit of the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

In this report, the government-wide statements and the fund statements for the Commission are presented on the same page and can be found on pages 8 and 9 of this report.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those



Management's Discussion and Analysis For the Year Ended June 30, 2004

reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

The Commission adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-18 of this report.

Government-wide Financial Analysis

This is the first year that the Commission has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$663,759 at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash and investments balance (\$733,586). This represents resources received from the State Commission from Proposition 10 taxes that have not been expended, although the funds may have been committed for multi-year contracts. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commissions balance is apportioned to the Commission. Another source of net assets also resides in the Commissions receivables due from the State Commission for Proposition 10 taxes (\$25,144). These receivables represent tax revenues that were remitted by the State but had not received by the Commission as of June 30, 2004. The Commission also reports accounts payable of \$94,144 representing payments due on grant services contracts that had not been expended at year-end.

The Commission's net assets increased overall by approximately \$165,864 during the 03/04 fiscal year. This increase is explained in the governmental fund analysis below and is primarily a result of revenues in excess of expenditures for the current year.



**Management's Discussion and Analysis
For the Year Ended June 30, 2004**

Governmental Activities

The Commission does not have business type activities and so the analysis presented above for the government wide financial statements also represents an analysis of the Commission's governmental activities.

Financial Analysis of the Commission's Governmental Fund

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the year-ended June 30, 2004, the Commission reported an ending fund balance of \$667,030, an increase of \$168,155 from the prior year. This increase represents the amount of revenues in excess of expenditures for the year ended June 30, 2004.

The Commission has committed \$425,189 of its fiscal year 2003-2004 ending fund balance for future payments to awarded projects. The Commission has also committed \$59,498 to future projects that were not yet contracted as of June 30, 2004.

First 5 Inyo County Children and Families Commission
Comparison (in thousands)

	<u>FY 2003/04</u>	<u>FY 2002/03</u>
Total Revenue	\$ 602	\$ 351
Expenditures:		
Administration and other	127	107
Program expenditures	<u>307</u>	<u>281</u>
Total Expenditures	434	388
Change in Fund Balance	\$ 168	\$ (37)



Management's Discussion and Analysis For the Year Ended June 30, 2004

Total revenue (see previous page) consisting of Proposition 10 funds, interest income, State Commission matching revenue, and a grant award from The California Endowment, increased from \$351,157 to \$602,658 for the year ended June 30, 2004. This increase in revenue is primarily due to the receipt of funding for new initiatives, including School Readiness Initiative funds (Program \$135,663 and Implementation \$25,000), a private foundation grant from The California Endowment for the Inyo County Oral Health Initiative (\$81,295), and funds from the State Commission to offset expenditures for County-specific Technical Assistance (\$6,500). Total expenditures increased to \$434,503, an increase of \$46,582 from the prior fiscal year. Increases in expenditures were due to large investments by the Commission related to new initiatives commencing in fiscal year 03/04, as listed above.

Fund Budgetary Highlight

Total revenues were over budget by 6% or \$31,422, while total expenditures were under budget by 56% or \$558,489. The budget did not include the School Readiness Initiative funds or the California Endowment grants because these funds had not been approved by the funding source at the time the County budget was prepared. Most of the under- budgeted expense is due to our funded partners not fully expending their contracts.

Capital Assets and Debt Administration

Capital Assets: As of June 30, 2003, the Commission did not have any capital assets that exceeded its capital asset threshold of \$5,000.

Debt Administration: The commission's long-term debt consists of compensated absences payable. More detailed information about the Commission's long-term debt is presented in Note 4 of the basic financial statements on page 16 of this report.



**Management's Discussion and Analysis
For the Year Ended June 30, 2004**

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children 0-5 so that their young brains and bodies will develop appropriately.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2004-2005:

- No new large investments (grant awards) during FY 04-05.
- As a result of the of the State Commission's decision to continue small county augmentations, First 5 Inyo County will continue to staff the Commission Office at current levels.

Requests for Information

This financial report is designed to provide a general overview of the First 5 Inyo's finances for all those interested. Questions concerning, any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Inyo, 1351 Rocking W. Drive, Bishop, California, 93514.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2004

	Fund Statements General Fund	Adjustments (Note 5)	Government - Wide Statement of Net Assets
<u>ASSETS</u>			
Cash in county treasury	\$ 733,586	\$ --	\$ 733,586
Due from other agencies	25,144	--	25,144
Interest receivable	2,444	--	2,444
Total Assets	<u>\$ 761,174</u>	<u>\$ --</u>	<u>\$ 761,174</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 94,144	\$ --	\$ 94,144
Long-term liabilities:			
Compensated absences payable - due within one year	--	1,636	1,636
Compensated absences payable - due after one year	--	1,635	1,635
Total Liabilities	<u>94,144</u>	<u>3,271</u>	<u>97,415</u>
<u>FUND BALANCES/NET ASSETS</u>			
Fund Balances:			
Committed Funds:			
Reserved for encumbrances	187,439	(187,439)	--
Reserved for restricted funds not yet obligated	32,185	(32,185)	--
Reserved for Local Initiatives and Program Sustainability	12,000	(12,000)	--
Total Committed Funds	231,624	(231,624)	--
Uncommitted funds	435,406	(435,406)	--
Total Fund Balances	<u>667,030</u>	<u>(667,030)</u>	<u>--</u>
Total Liabilities and Fund Equity	<u>\$ 761,174</u>		
Net Assets:			
Invested in capital assets, net of related debt		--	\$ --
Restricted		663,759	663,759
Total Net Assets		<u>\$ 663,759</u>	<u>\$ 663,759</u>

The accompanying notes are an integral part of these financial statements.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Statement of Activities and
Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2004

	Fund Statements General Fund	Adjustments (Note 5)	Government - Wide Statement of Activities
<u>FIRST 5 PROGRAM EXPENDITURES/EXPENSES</u>			
Current:			
Health & sanitation:			
Salaries and employee benefits	\$ 107,345	\$ 2,291	\$ 109,636
Services and supplies	11,075	--	11,075
Rent and utilities	8,668	--	8,668
Program expenditures	307,415	--	307,415
	<u>434,503</u>	<u>2,291</u>	<u>436,794</u>
Total Expenditures/Expenses			
	<u>434,503</u>	<u>2,291</u>	<u>436,794</u>
<u>PROGRAM REVENUES</u>			
Operating grants and contributions:			
Proposition 10 tax revenue	156,497	--	156,497
Proposition 10 administration augmentation	114,203	--	114,203
Proposition 10 travel augmentation	7,575	--	7,575
Proposition 10 minimum \$200,000 augmentation	60,908	--	60,908
Proposition 10 school readiness	160,663	--	160,663
Proposition 10 retention incentive	7,500	--	7,500
Oral health revenue	81,295	--	81,295
Proposition 10 surplus money investment fund	281	--	281
Other revenue	6,525	--	6,525
	<u>595,447</u>	<u>--</u>	<u>595,447</u>
Total Program Revenues			
	<u>595,447</u>	<u>--</u>	<u>595,447</u>
Net Program Expense			<u>(158,653)</u>
<u>GENERAL REVENUES</u>			
Interest revenue	7,211	--	7,211
	<u>7,211</u>	<u>--</u>	<u>7,211</u>
Excess of Revenues Over Expenditures	168,155	(168,155)	--
	<u>168,155</u>	<u>(168,155)</u>	<u>--</u>
Change in Net Assets	--	165,864	165,864
	<u>--</u>	<u>165,864</u>	<u>165,864</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance - Beginning of Year	498,875	(980)	497,895
	<u>498,875</u>	<u>(980)</u>	<u>497,895</u>
Fund Balance - End of Year	\$ 667,030	\$ (3,271)	\$ 663,759
	<u>\$ 667,030</u>	<u>\$ (3,271)</u>	<u>\$ 663,759</u>

The accompanying notes are an integral part of these financial statements.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The First 5 Inyo County (Inyo County Children and Families Commission) (Commission) was established on April 20, 1999 pursuant to Health and Safety Code §130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998 and by Inyo County Ordinances #1014. The seven members (as amended by Ordinance #1054) of the Commission are appointed by the Inyo County Board of Supervisors.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

The financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and results of operations of the County of Inyo taken as a whole.

B. Basis of Presentation and Accounting

In this report, the government-wide statements and the fund statements for the Commission are presented on the same page with the adjustments column showing the differences.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting (continued)

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

Separate financial statements are provided for the governmental funds. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements (continued)

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission reports the following major governmental fund:

- The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

C. Implementation of Governmental Accounting Standards Board Statements

GASB Statement Nos. 33 and 36

In December 1998 and in April 2000, the Governmental Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues – an amendment of GASB Statement No. 33*, respectively. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations).

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in governmental financial reporting in over twenty years.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

C. Implementation of Governmental Accounting Standards Board Statements
(continued)

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

GASB Interpretation No. 6

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

As required, the Commission has elected to implement GASB Statement Nos. 33, 34, 36, 37 and 38 and Interpretation No. 6 and these statements are presented according to those requirements.

D. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of net assets.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

E. Due from Other Agencies

This amount represents receivables from other local governments. As of June 30, 2004, the Commission was due \$27,588 from the State of California. Management has determined the Commission's receivables are fully collectable. Accordingly, no allowance for doubtful accounts has been made.

F. Accumulated Compensated Absences

Commission employees have accumulated unpaid vested benefits for compensatory time-off and vacation earned at June 30, 2004 of \$3,271. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid, therefore, the total liability is recorded as long-term. In accordance with GASB Statement 16, these amounts are not expected to be liquidated from expendable available financial resources.

G. Capital Assets

Capital assets have been acquired for general commission purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The Commission defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 5 years in the government-wide statements.

H. Net Assets/Fund Balances

Net Assets

The government-wide activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Restricted Net Assets* – This category presents external restricted imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

H. Net Assets/Fund Balances (continued)

Fund Balances

Reservations of Fund Balances are used to indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. The First 5 Association of California requires that fund balance be reported as either committed funds or uncommitted funds. Committed funds represent the portion of the fund balance that has been set aside for programs, projects, and activities to be conducted in the future according to a documented plan, budget, or financial forecast formally approved by the Commission. Uncommitted funds represent the remainder of the fund balance.

Specific reservations of the fund balance accounts are summarized below:

Committed funds:

Reserved for encumbrances was created to reflect outstanding contractual obligations for which goods and services have not been received.

Reserved for restricted funds not yet obligated includes restricted funds that have been received but not yet authorized by the Commission for release through a contract or purchase order.

Reserved for Local Initiatives and Program Sustainability consists of funds that have been reserved for one of the following two purposes:

1. Funds to operate a specific program or project in the current or future fiscal years that have not yet been encumbered or authorized for definite contracts.
2. Funds that have been set aside for long-term program sustainability.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: **Cash**

Cash at June 30, 2004 consisted of the following:

	<u>2004</u>
Cash in County Treasury	<u>\$ 733,586</u>

The Commission maintains all of its cash in the Inyo County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County's report discloses the required information in accordance with Governmental Accounting Standards Board Statement No. 3 (GASB No. 3). The Treasurer's investments are overseen by the Inyo County Treasury Oversight Committee.

Investments – State statutes authorize the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, certificates of deposit, banker's acceptances, repurchase agreements, medium-term notes, and mutual funds consisting of authorized securities.

Note 3: **Capital Assets**

The Commission changed their capital asset threshold from \$500 to \$5,000. As of June 30, 2004, the Commission had no assets that met the threshold.

At July 1, 2003, the Commission made the following restatements to capital assets:

Governmental activities capital assets as reported June 30, 2003	\$ 2,886
Restatement – change in threshold	<u>(2,886)</u>
Governmental activities capital assets as restated – July 1, 2003	<u>\$ --</u>

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 4: Long-Term Debt

The following is a schedule of long-term liabilities as of June 30, 2004:

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2004</u>
Compensated Absences	\$ <u>980</u>	\$ <u>3,542</u>	\$ <u>(1,361)</u>	\$ <u>3,161</u>

Note 5: Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Amounts reported for governmental activities in the statement of net assets are different because:

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. \$ 3,271

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Changes in compensated absences payable reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. \$ 2,291

Note 6: Related Party Footnote

During the fiscal year ended June 30, 2004, the Commission paid the County of Inyo, a related party, \$7,868 for accounting and administrative services.

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN AND FAMILIES COMMISSION)**

Notes to Financial Statements
June 30, 2004

Note 7: **Defined Benefit Pension Plan**

The Commission's employees are paid through the County of Inyo payroll system and receive the same benefits as County employees, including pension benefits. The County contributes to the Public Employees Retirement Systems (PERS), which is a multiple-employer, defined benefit plan for employees. Participation is mandatory for all permanent employees. The County and employees are required to contribute at rates established by PERS.

Current contribution rates include amounts required to amortize past service costs and the unfunded liabilities. The net assets available for benefits, the pension benefit obligation, and the assumed rates of return used in determining the pension benefit obligation are not available separately for the Commission. This information is available in the financial statements of Inyo County, the reporting entity.

Note 8: **Risk Management**

The Commission is exposed to various risk of loss related to general liability and workers' compensation. The Commission is covered from risk of loss by its participation in the County of Inyo's risk pool. Information about coverage can be found in the County financial statements.

Note 9: **Section 30131.4 of the California Tax & Revenue Code Certification**

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 10: **Subsequent Event**

In the fiscal year ended June 30, 2004, First 5 California Commission overpaid the Commission by \$4,212 for the minimum \$200,000 augmentation. Therefore, the Commission owed the First 5 California Commission \$4,212 as of June 30, 2004, which is reported as a credit to "due from other agencies".

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Proposition 10 tax revenue	\$ 314,203	\$ 195,778	\$ 156,497	\$ (39,281)
Proposition 10 administration augmentation	--	--	114,203	114,203
Proposition 10 travel augmentation	--	--	7,575	7,575
Proposition 10 minimum \$200,000 augmentation	--	--	60,908	60,908
Proposition 10 school readiness	--	260,663	160,663	(100,000)
Proposition 10 surplus money investment fund	--	--	281	281
Proposition 10 retention incentive	--	22,500	7,500	(15,000)
Oral health revenue	--	92,295	81,295	(11,000)
Other revenue	--	--	6,525	6,525
Interest revenue	--	--	7,211	7,211
	<u>314,203</u>	<u>571,236</u>	<u>602,658</u>	<u>31,422</u>
Total Revenues				
<u>EXPENDITURES</u>				
Health & sanitation:				
Current:				
Salaries and employee benefits	116,508	115,358	107,345	8,013
Services and supplies	20,669	11,233	11,075	158
Rent and utilities	9,310	9,310	8,668	642
Program expenditures	171,003	857,091	307,415	549,676
	<u>317,490</u>	<u>992,992</u>	<u>434,503</u>	<u>558,489</u>
Total Expenditures				
Net Change in Fund Balance	(3,287)	(421,756)	168,155	589,911
Fund Balance - Beginning of Year	<u>498,875</u>	<u>498,875</u>	<u>498,875</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 495,588</u>	<u>\$ 77,119</u>	<u>\$ 667,030</u>	<u>\$ 589,911</u>

FIRST 5 NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to the Required Supplementary Information For the Year Ended June 30, 2004

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Commissioners in June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Commission resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, and capital outlay.

The actual column of the budget to actual statement for the special revenue funds has been prepared on a budgetary basis which differs from generally accepted accounting principles. Expenditures have been adjusted to include encumbrances.

The budget is adopted on a basis consistent with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Balance Sheet By Funding Source - General Fund
June 30, 2004

		School Readiness		Retention Incentive	
		State	County	State	County
	Operating	Funding	Match	Funding	Match
<u>ASSETS</u>					
Cash in county treasury	\$ 397,278	\$ 152,683	\$ 71,748	\$ --	\$ 22,535
Due from other agencies	25,144	--	--	--	--
Interest receivable	1,451	--	665	--	71
Total Assets	<u>\$ 423,873</u>	<u>\$ 152,683</u>	<u>\$ 72,413</u>	<u>\$ --</u>	<u>\$ 22,606</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	28,338	30,912	--	--	22,418
Total Liabilities	<u>28,338</u>	<u>30,912</u>	<u>--</u>	<u>--</u>	<u>22,418</u>
Fund Balances:					
Committed Funds:					
Reserved for encumbrances	187,439	105,022	71,330	--	82
Reserved for restricted funds not yet obligated	32,185	--	--	--	--
Reserved for Local Initiatives and Program Sustainability	12,000	--	--	--	--
Total Committed Funds	<u>231,624</u>	<u>105,022</u>	<u>71,330</u>	<u>--</u>	<u>82</u>
Uncommitted Funds	<u>163,911</u>	<u>16,749</u>	<u>1,083</u>	<u>--</u>	<u>106</u>
Total Fund Balances	<u>395,535</u>	<u>121,771</u>	<u>72,413</u>	<u>--</u>	<u>188</u>
Total Liabilities and Fund Balances	<u>\$ 423,873</u>	<u>\$ 152,683</u>	<u>\$ 72,413</u>	<u>\$ --</u>	<u>\$ 22,606</u>

continued

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Balance Sheet By Funding Source - General Fund (continued)
June 30, 2004

	Oral Health		
	The California Endowment	County Match	Totals
<u>ASSETS</u>			
Cash in county treasury	\$ 70,028	\$ 19,314	\$ 733,586
Due from other agencies	--	--	25,144
Interest receivable	--	257	2,444
Total Assets	<u>\$ 70,028</u>	<u>\$ 19,571</u>	<u>\$ 761,174</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	12,476	--	94,144
Total Liabilities	<u>12,476</u>	<u>--</u>	<u>94,144</u>
Fund Balances:			
Committed Funds:			
Reserved for encumbrances	42,164	19,152	425,189
Reserved for restricted funds not yet obligated	15,313	--	47,498
Reserved for Local Initiatives and Program Sustainability	--	--	12,000
Total Committed Funds	<u>57,477</u>	<u>19,152</u>	<u>484,687</u>
Uncommitted Funds	<u>75</u>	<u>419</u>	<u>182,343</u>
Total Fund Balances	<u>57,552</u>	<u>19,571</u>	<u>667,030</u>
Total Liabilities and Fund Balances	<u>\$ 70,028</u>	<u>\$ 19,571</u>	<u>\$ 761,174</u>

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Statement of Revenues, Expenditures and
Changes in Fund Balance By Funding Source - General Fund
For the Year Ended June 30, 2004

		School Readiness		Retention Incentive	
	Operating	State Funding	County Match	State Funding	County Match
<u>REVENUES</u>					
Proposition 10 tax revenue	\$ 22,345	\$ --	\$ 100,000	\$ --	\$ 15,000
Proposition 10 administration augmentation	114,203	--	--	--	--
Proposition 10 travel augmentation	7,575	--	--	--	--
Proposition 10 minimum \$200,000 augmentation	60,908	--	--	--	--
Proposition 10 school readiness	--	160,663	--	--	--
Proposition 10 retention incentive	--	--	--	7,500	--
Oral health revenue	--	--	--	--	--
Proposition 10 surplus money investment fund	281	--	--	--	--
Interest revenue	5,580	--	1,106	--	106
Other revenue	6,525	--	--	--	--
	<u>217,417</u>	<u>160,663</u>	<u>101,106</u>	<u>7,500</u>	<u>15,106</u>
Total Revenues					
<u>EXPENDITURES</u>					
Current:					
Health & sanitation:					
Salaries and employee benefits	106,942	--	--	--	--
Services and supplies	10,900	86	89	--	--
Rent and utilities	8,668	--	--	--	--
School readiness expenditures	--	38,806	28,604	--	--
Retention incentives expenditures	--	--	--	7,500	14,918
Oral health expenditures	--	--	--	--	--
Other program expenditures	194,247	--	--	--	--
	<u>320,757</u>	<u>38,892</u>	<u>28,693</u>	<u>7,500</u>	<u>14,918</u>
Total Expenditures					
Net Changes in Fund Balances	(103,340)	121,771	72,413	--	188
Fund Balance - Beginning of Year	498,875	--	--	--	--
Fund Balance - End of Year	<u>\$ 395,535</u>	<u>\$ 121,771</u>	<u>\$ 72,413</u>	<u>\$ --</u>	<u>\$ 188</u>

continued

**FIRST 5 INYO COUNTY
(INYO COUNTY CHILDREN & FAMILIES COMMISSION)**

Statement of Revenues, Expenditures and
Changes in Fund Balance By Funding Source - General Fund (continued)
For the Year Ended June 30, 2004

	Oral Health		
	The California Endowment	County Match	Totals
<u>REVENUES</u>			
Proposition 10 tax revenue	\$ --	\$ 19,152	\$ 156,497
Proposition 10 administration augmentation	--	--	114,203
Proposition 10 travel augmentation	--	--	7,575
Proposition 10 minimum \$200,000 augmentation	--	--	60,908
Proposition 10 school readiness	--	--	160,663
Proposition 10 retention incentive	--	--	7,500
Oral health revenue	81,295	--	81,295
Proposition 10 surplus money investment fund	--	--	281
Interest revenue	--	419	7,211
Other revenue	--	--	6,525
	<u>81,295</u>	<u>19,571</u>	<u>602,658</u>
Total Revenues			
<u>EXPENDITURES</u>			
Current:			
Health & sanitation:			
Salaries and employee benefits	403	--	107,345
Services and supplies	--	--	11,075
Rent and utilities	--	--	8,668
School readiness expenditures	--	--	67,410
Retention incentives expenditures	--	--	22,418
Oral health expenditures	23,340	--	23,340
Other program expenditures	--	--	194,247
	<u>23,743</u>	<u>--</u>	<u>434,503</u>
Total Expenditures			
Net Changes in Fund Balances	57,552	19,571	168,155
Fund Balance - Beginning of Year	--	--	498,875
Fund Balance - End of Year	<u>\$ 57,552</u>	<u>\$ 19,571</u>	<u>\$ 667,030</u>

OTHER REPORT

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

Frank V. Trythall
Kenneth E. Pope
Brad W. Constantine
Bruce W. Stephenson
Roseanne M. Lopez
Jason J. Cardinet
Tyler K. Hunt

Curtis A. Orgill
M. Elba Zúñiga

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND CALIFORNIA CHILDREN AND FAMILIES FIRST ACT OF 1998**

Board of Commissioners
First 5 Inyo County
(Inyo County Children and Families Commission)
Independence, California

We have audited the financial statements of the First 5 Inyo County (Inyo County Children and Families Commission) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the First 5 Inyo County (Inyo County Children and Families Commission's) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and California Children and Families First Act of 1998.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the First 5 Inyo County (Inyo County Children and Families Commission's) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Board of Commissioners
First 5 Inyo County
(Inyo County Children and Families Commission)

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners and the management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

September 10, 2004
Roseville, CA